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SUBJECT: ERBIL: KRG PM DISCUSSES 2008

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Classified By: Classified By Jess Baily, Regional Coordinator for reasons 1.4 (b) and (d).

This is an Erbil Regional Reconstruction Team message.

11. (C) Summary: Secure as Kurdistan Regional Government (KRG) Prime Minister for the foreseeable future, Nechirvan Barzani told RRTOFFS January 15 that 2008 will be a challenging year for the Kurds and for the KRG. He outlined a number of long pending reforms within the regional government (reduction of ministries, increasing transparency), but offered few new or specific ideas on how he plans to push these through, particularly with many in the Patriotic Union of Kurdistan (PUK) smarting from the decision to keep Nechirvan as PM. On Article 140, he vacillated between conciliatory comments (reaching out to other groups and accepting "60 percent" of their goal) and a strong line, notably that the process must lead to Kirkuk becoming part of the KRG. Noting that he was initially skeptical of UN involvement on Article 140, Nechirvan volunteered that a first meeting with SRSG de Mistura had altered his opinion, for the better. He reported that his uncle, KRG President Masoud Barzani, had hesitated in attending the January 15 meeting with Secretary Rice but had decided to go to Baghdad at the strong urging of the PM. In the end, President Barzani was pleased with the meeting and thanked Nechirvan for the push. End Summary.

Meeting with Secretary Positive

12. (C) During an informal January 15 dinner with Regional coordinator and acting USAID rep, KRG PM Nechirvan Barzani reported that his uncle KRG President Masoud Barzani was pleased with his meeting with Secretary Rice and other Iraqi leaders. According to Nechirvan, the elder Barzani was initially not inclined to fly down to Baghdad and it took the PM until late into the night of January 14 to convince his uncle to accept the invitation. After a short telephone conversation with his uncle upon the latter's return to Erbil, a smiling Nechirvan noted that his uncle had thanked him for pushing him toward the right decision.

13. (C) The PM offered little on the substance of the meeting, noting only that the Secretary had asked the KRG to suspend signing new oil exploration contracts, which he described as "not a problem." (Note: International oil companies already have contracts on the most promising 20 blocs, and several others have been reserved for the Kurdistan Regional Oil Company. End note.) He reported that KRG Minister of Natural Resources Ashti Hawrami had met with the PM Maliki for over an hour in December and left feeling that Maliki understood the KRG position better. The best way forward, Nechirvan added, was to handle the difference over the national hydrocarbon legislation through a small group, perhaps Ashti and a representative from the GoI (not Minister of Oil Shahrastani) with the US as facilitators. (Note: The

KRG announced to the media that MoNR Ashti went to Baghdad on 21 January to continue talks on hydrocarbon laws. However, MoNR Ashti told us his visit to Baghdad had concerned other issues, since the GOI was still not ready to move forward on the hydrocarbon legislation. End note.)

Problems with Maliki

¶4. (S) Elaborating on the Kurds' frustration with PM Maliki, Nechirvan reported that Masoud refused to meet one-on-one with the PM during his January 15 trip. Nechirvan opined that Kurds "could topple Maliki if the U.S. "gave them the green light. . . not conflicting views from various departments." RRTOffs emphasized the need to make the current government work in order to advance political reconciliation in the wake of recent security gains. Nechirvan retorted that replacing the PM would be easy, requiring "only 50 percent" and they had a good PM candidate in Vice President Adil Abd al-Mahdi. But stepping back from this proposed coup, he admitted that gaining two-thirds of the Council of Representatives to agree on a replacement Vice President would be "very difficult."

Secure as PM, Agenda for 2008

¶5. (C) Nechirvan acknowledged that 2008 will be a tough year for the KRG as performance is not meeting citizens' expectations. He intends to push forward with a reduction in the number of ministries, cut the number of government employees, improve services particularly electricity, and launch transparency initiatives. When asked about the current electricity shortage currently affecting the region,

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he did not offer any immediate solutions to deal with the problem and instead cited two build-own-operate power plants due to come on line sometime in 2008. He boasted that the KRG will announce plans to reduce the number of ministries "by the end of the month" but then admitted that balancing KDP, PUK, and smaller parties interests will be a challenge. He complained that divisions in the PUK made such decisions difficult. Even on small items, gaining the agreement of Deputy PM Omar Fatah did not guarantee PUK support. "You have to go to (Vice President) Kosrat (Rasoul) and then others." This is not made any easier by anger within the PUK over President Talabani's decision to ask Nechirvan to stay on as PM.

Article 140: 60/40 Solution must give Kirkuk to Kurds

¶6. (S) His agenda for 2008 concluded with implementation of Article 140. Noting that he was initially skeptical of UN involvement, he credited his first meeting with SRSG de Mistura as changing his attitude. Expressing concern about violence associated with a large scale referendum, he said he supported using the 2005 elections as the basis for a solution but did not think President Barzani should have endorsed such a solution publicly, as he did at a memorial service for Anfal victims on January 14. (Note: The following day KRG Minister of External Affairs Mohammad Ihsan elaborated that using the 2005 elections would involve placing districts where Kurds received over 80 percent of the vote within the KRG and narrow the places where a new referendum would be required. End note.) Sounding conciliatory, he said the Kurds must reach out more to Turkomen, Arabs, and other communities and be ready to achieve "only 60 percent" of their goals. He suggested that the Kurds would be more flexible in northern Ninewa, but then labeled any result that doesn't have Kirkuk within the KRG as "unacceptable."

Investment

¶7. (C) Nechirvan noted that the decision to retain him as PM played positively with potential investors. He said Saudi investors had recently shown interest in concrete factories and agriculture but most of what he spoke about was high-end property development in Erbil. This is a sector where the government benefits through its control of land but developers often do not use local labor in construction. DAMAC of Dubai, for example, will develop housing, a hotel and golf course between Erbil and Salahaddin, while the Iraqi owner of Le Royal Hotel in Amman expressed interest in building a hotel and private hospital.

Security: Pleased with US intelligence cooperation

¶8. (S) Asked about security concerns, Nechirvan felt confident that KRG could keep al-Qaeda terrorists out of the region and instead worried more about Iran and Ansar al Islam/Ansar as Sunnah. He went out of his way to praise the current level of intelligence sharing with the U.S. In the past, he said, the KRG did not always feel like the U.S. took the KRG's information seriously. Now their U.S. interlocutors not only took them seriously but also reciprocated by sharing a higher level of intelligence with their KRG counterparts. "Over the past eight months, we've seen a changed attitude."

¶9. Comment: Over the course of three hours, Nechirvan recognized that 2008 will be a challenging year for the region but offered little of substance on how he plans to institute politically difficult reforms within the government, increase transparency and meet growing public frustration over poor services, especially electricity. On national issues, he continues to moderate President Barzani's worst impulses and harsher rhetoric. But like his uncle, he doubts Prime Minister Maliki will meet the Kurds, demands for reform within the government. And like most Kurds, he sees any outcome on Article 140 short of delivering Kirkuk to the KRG as unacceptable. End Comment
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